

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Village of Wolverine Lake	County Oakland
Fiscal Year End June 30, 2007	Opinion Date October 12, 2007	Date Audit Report Submitted to State November 15, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

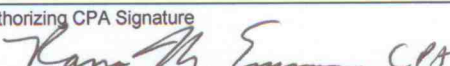
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Post, Smythe, Lutz and Ziel of Plymouth LLP		Telephone Number 248-644-9125	
Street Address 3707 W. Maple Road, Suite 101		City Bloomfield Hills	State MI
Zip 48301			
Authorizing CPA Signature 	Printed Name Rana M. Emmons, CPA	License Number 1101022716	

**VILLAGE OF WOLVERINE LAKE
Oakland County, Michigan**

AUDITED FINANCIAL REPORT

**For the Fiscal Year Ended
June 30, 2007**

VILLAGE OF WOLVERINE LAKE
For the Year Ended June 30, 2007

Table of Contents

INTRODUCTORY SECTION

Table of Contents

FINANCIAL SECTION

Page

Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-10
Basic Financial Statements:	
Government Wide Financial Statements:	
Statement of Net Assets	11
Statement of Activities	12-13
Fund Financial Statements:	
Balance Sheet – Governmental Funds	14
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Balance Sheet – Proprietary Fund	17
Statement of Revenues, Expenses, and Changes In Fund Equity – Proprietary Fund	18
Statement of Cash Flows – Proprietary Fund	19
Fiduciary Fund – Statement of Assets and Liabilities	20
Notes to Financial Statements	21-36
Required Supplementary Information:	
Defined Benefit Pension Plans - Trend Information	37
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – General Fund	38-39
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – Major Streets Fund.....	40
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – Local Streets Fund	41

FINANCIAL SECTION

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Independent Auditor's Report

October 12, 2007

To the Village President and
Members of the Village Council
Village of Wolverine Lake, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Wolverine Lake, Michigan as of and for the year ended June 30, 2007, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Wolverine Lake's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Wolverine Lake as of June 30, 2007, and the respective changes in financial position, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Village President and
Members of the Village Council
Village of Wolverine Lake, Michigan

The management's discussion and analysis and the defined benefit pension plans-trend information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on them.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Wolverine Lake basic financial statements. The accompanying required supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The required supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully,

A handwritten signature in black ink that reads "Post, Smythe, Lutz and Ziel of Plymouth". The signature is written in a cursive, flowing style.

Post, Smythe, Lutz and Ziel of Plymouth LLP
Certified Public Accountants

Management's Discussion and Analysis

As management of the Village of Wolverine Lake, we offer readers of the Village of Wolverine Lake's financial statements this narrative overview and analysis of the financial activities of the Village of Wolverine Lake for the fiscal year ended June 30, 2007. All amounts, unless otherwise indicated, are expressed in whole dollars.

Financial Highlights

- The assets of the Village of Wolverine Lake exceeded its liabilities at the close of the most recent fiscal year by \$4,837,140 (*net assets*). Of this amount, \$1,957,166 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Village's total net assets increased by \$458,228.
- At the close of the most recent fiscal year, the Village of Wolverine Lake's governmental funds reported combined ending fund balances of \$1,212,172. All of this total amount is *available for spending* at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$612,144, or 30 percent of total general fund expenditures.
- The Village of Wolverine Lake's total debt increased by \$255,000 (17 percent) during the current fiscal year, as a result of Special Assessment Bonds issued for \$410,000 less \$155,000 of debt payments made.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Village of Wolverine Lake's basic financial statements, which have three components:

- 1) Government-Wide Financial Statements
- 2) Fund Financial Statements
- 3) Notes to the Financial Statements.

Government-wide financial statements.

The *government-wide financial statements* are designed to provide readers with a broad overview of the Village of Wolverine Lake's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Village of Wolverine Lake's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village of Wolverine Lake is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Village of Wolverine Lake that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Village of Wolverine Lake include general government, public works, police, streets, and parks and recreation. The business-type activity of the Village of Wolverine Lake is the Water and Sewer Fund.

The government-wide financial statements can be found on pages 11-13 of this report.

Fund financial statements.

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village of Wolverine Lake, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village of Wolverine Lake can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds.

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the

governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the major streets fund, and the local streets fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The basic governmental fund financial statements can be found on pages 14-16 of this report.

Proprietary funds.

The Village of Wolverine Lake maintains one proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Village of Wolverine Lake uses an enterprise fund to account for its Water and Sewer operation.

Proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Fund which is considered to be a major fund of the Village of Wolverine Lake.

The basic proprietary fund financial statements can be found on pages 17-19 of this report.

Fiduciary funds.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the Village of Wolverine Lake's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 20 of this report.

Notes to the financial statements.

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-36 of this report.

Government-wide Financial Analysis

Assets exceeded liabilities by \$4,837,140 at the close of the most recent fiscal year. Of the Village of Wolverine Lake's net assets, 28 percent reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Village of Wolverine Lake uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Village of Wolverine Lake's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 1,798,762	\$ 1,876,603	\$ 2,424,807	\$ 1,952,646	\$ 4,223,569	\$ 3,829,249
Capital Assets	864,117	899,335	2,250,953	1,687,095	3,115,070	2,586,430
Total Assets	2,662,879	2,775,938	4,675,760	3,639,741	7,338,639	6,415,679
Long-term liabilities outstanding	53,673	50,833	1,771,263	1,518,715	1,824,936	1,569,548
Other liabilities	534,898	449,457	141,665	17,762	676,563	467,219
Total Liabilities	588,571	500,290	1,912,928	1,536,477	2,501,499	2,036,767
Net Assets:						
Invested in capital assets, net of related debt	864,117	899,335	479,690	168,380	1,343,807	1,067,715
Restricted	-	-	1,536,167	1,354,956	1,536,167	1,354,956
Unrestricted	1,210,191	1,376,313	746,975	579,928	1,957,166	1,956,241
Total Net Assets	\$ 2,074,308	\$ 2,275,648	\$ 2,762,832	\$ 2,103,264	\$ 4,837,140	\$ 4,378,912

At the end of the current fiscal year, the Village of Wolverine Lake is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Net assets increased by \$458,228 during the current fiscal year.

Governmental activities.

Governmental activities decreased net assets by \$201,340.

Village of Wolverine Lake - Change in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program Revenues:						
Charges for Services	\$ 167,262	\$ 190,852	\$ 84,470	\$ 151,181	\$ 251,732	\$ 342,033
Operating Grants & Contributions	281,524	300,568	-	-	281,524	300,568
Capital Grants & Contributions	3,768	246,588	713,595	95,997	717,363	342,585
General Revenues:						
Property Taxes	1,547,958	1,439,192	-	-	1,547,958	1,439,192
State Shared Revenues	340,811	351,245	-	-	340,811	351,245
Franchise Fees	32,111	29,393	-	-	32,111	29,393
Unrestricted Investment Earnings	105,828	89,712	26,255	2,809	132,083	92,521
Gain on Sale of Assets	-	4,637	-	-	-	4,637
Investment in Joint Venture incr	1,183	831	-	-	1,183	831
Total Revenues	2,480,445	2,653,018	824,320	249,987	3,304,765	2,903,005
Expenses:						
General Government	550,289	529,232	-	-	550,289	529,232
Public Safety	878,434	904,584	-	-	878,434	904,584
Public Works	1,155,539	1,053,534	-	-	1,155,539	1,053,534
Community Development	50,412	49,509	-	-	50,412	49,509
Recreation and Cultural	47,111	95,411	-	-	47,111	95,411
Water and Sewer	-	-	164,752	181,146	164,752	181,146
Total Expenses	2,681,785	2,632,270	164,752	181,146	2,846,537	2,813,416
Change in Net Assets before Transfers	(201,340)	20,748	659,568	68,841	458,228	89,589
Transfers	-	-	-	-	-	-
Change in Net Assets	\$ (201,340)	\$ 20,748	\$ 659,568	\$ 68,841	\$ 458,228	\$ 89,589

The primary cause of the decrease in net assets is the lower amount of Capital Grants and Contributions received in FY07. FY06 included \$239,000 in state grants for the Benstein Walkway project. While this decrease was offset by the increase in both property tax revenues and investment earnings, overall operating expenses increased as well.

Business-type activities.

Business-type activities increased net assets by \$659,568.

Financial Analysis of the Government's Funds

As noted earlier, the Village of Wolverine Lake uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds.

The focus of the Village of Wolverine Lake's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources.

As of the end of the current fiscal year, the governmental funds reported combined ending fund balances of \$1,212,172, all of which constitutes *unreserved fund balance*, which is available for spending at the government's discretion. Total governmental fund balances decreased \$161,194 for the 2006-2007 fiscal year as compared to the 2005-2006 fiscal year.

The General Fund is the chief operating fund of the Village of Wolverine Lake. At the end of the current fiscal year, the total fund balance of the general fund was \$612,144, all of which is unreserved. General Fund fund balance represents 30 percent of total general fund expenditures.

The fund balance of the Village's General Fund increased by \$128,818 during the fiscal year.

Proprietary funds.

The Village of Wolverine Lake's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets of the Water and Sewer Fund at the end of the year amounted to \$746,975.

General Fund Budgetary Highlights

There was an \$89,000 increase between the original budget and the final amended budget total in revenues and a total \$12,950 decrease in expenditures.

Capital Asset and Debt Administration

Capital assets.

The Village of Wolverine Lake's investment in capital assets for its governmental and business type activities is \$3,115,070 (net of accumulated depreciation). This investment in capital assets includes land and improvements, buildings, machinery and equipment, park facilities, roads, and bridges. The increase in the Village of Wolverine Lake's investment in capital assets for the current fiscal year was a 4 percent decrease for governmental activities, and a 33 percent increase in business-type activities.

Major capital asset events during the current fiscal year included the following:

- South Commerce Water Main Construction (\$25,222)
- Laguna Sewer Construction (\$16,164)
- Wolverine Drive Sewer Construction (\$289,451)

Additional information on the Village of Wolverine Lake's capital assets can be found in note III.B on pages 29-30 of this report.

Long-term debt.

At the end of the current fiscal year, the Village of Wolverine Lake had total bond debt outstanding of \$1,790,000, which is all in the Water and Sewer Fund (business-type activity). The Village of Wolverine Lake's total bond debt increased by \$255,000 (17 percent) during the current fiscal year. This is a result of special assessment bonds issued in the current fiscal year totaling \$410,000 less \$155,000 of debt principal payments made during the year.

Additional information on the Village of Wolverine Lake's long-term debt can be found in note III.D on pages 31-32 of this report.

Economic Factors and Next Year's Budgets and Rates

Property tax revenues make up over 70% of the General Fund budget. Taxable value grew approximately 7% from 2006 to 2007, mostly due to the continuing development in the Panhandle area.

Perhaps the most important information to be drawn from this year's financial report is the fact that the fund balance of the General Fund increased for the first time since 2002. Furthermore, the adopted budget for 2008 indicates that this trend is expected to continue in the new fiscal year.

The Village took several steps toward decreasing expenses, the most prominent of which was entering into a joint scheduling arrangement with the City of Walled Lake for police services effective March 1, 2007. The arrangement allows both communities to maintain separate departments while realizing greater operating efficiencies without reducing service levels.

Requests for Information

This financial report is designed to provide a general overview of the Village of Wolverine Lake's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the administrative offices at 425 Glengary Road, Wolverine Lake, Michigan 48390.

BASIC FINANCIAL STATEMENTS

VILLAGE OF WOLVERINE LAKE
Statement of Net Assets
June 30, 2007

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 1,470,989	\$ 525,317	\$ 1,996,306
Restricted Assets - Cash	-	326,328	326,328
Receivables:			
Accounts	5,791	36,995	42,786
Special Assessments	4,909	1,536,167	1,541,076
Due from Other Governmental Units	101,199	-	101,199
Due from Other Funds	157,517	-	157,517
Prepaid Expenses	11,574	-	11,574
Capital Assets (net of accumulated depreciation)	864,117	2,250,953	3,115,070
Investment in Joint Venture	46,783	-	46,783
Total Assets	<u>2,662,879</u>	<u>4,675,760</u>	<u>7,338,639</u>
<u>LIABILITIES</u>			
Accounts Payable	236,562	132,143	368,705
Accrued Liabilities	86,771	-	86,771
Due to Other Funds	147,995	9,522	157,517
Deferred Revenue	63,570	-	63,570
Noncurrent Liabilities:			
Due within one year	9,973	155,000	164,973
Due in more than one year	43,700	1,616,263	1,659,963
Total Liabilities	<u>588,571</u>	<u>1,912,928</u>	<u>2,501,499</u>
<u>NET ASSETS</u>			
Invested in Capital Assets, net of related debt	864,117	479,690	1,343,807
Restricted for:			
Debt Service	-	1,536,167	1,536,167
Unrestricted	1,210,191	746,975	1,957,166
Total Net Assets	<u>\$ 2,074,308</u>	<u>\$ 2,762,832</u>	<u>\$ 4,837,140</u>

VILLAGE OF WOLVERINE LAKE
Statement of Activities
For the Year Ended June 30, 2007

<u>Functions/Programs</u>	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental Activities:				
General Government	\$ 550,289	\$ 14,237	\$ 229	\$ -
Public Safety	878,434	66,706	3,139	-
Public Works	1,155,539	66,912	260,976	3,768
Community Development	50,412	15,340	17,180	-
Recreation and Cultural	47,111	4,067	-	-
Total Governmental Activities	<u>2,681,785</u>	<u>167,262</u>	<u>281,524</u>	<u>3,768</u>
Business-type Activities:				
Water and Sewer	<u>164,752</u>	<u>84,470</u>	<u>-</u>	<u>713,595</u>
Total Primary Government	\$ <u>2,846,537</u>	\$ <u>251,732</u>	\$ <u>281,524</u>	\$ <u>717,363</u>

General Revenues:
Property Taxes
State Shared Revenue
Interest Earnings
Franchise Fees
Increase in investment in joint venture
Total General Revenues and Transfers

Change in Net Assets
Net Assets - Beginning

Net Assets - Ending

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (535,823)	\$ -	\$ (535,823)
(808,589)	-	(808,589)
(823,883)	-	(823,883)
(17,892)	-	(17,892)
(43,044)	-	(43,044)
<u>(2,229,231)</u>	<u>-</u>	<u>(2,229,231)</u>
-	633,313	633,313
<u>(2,229,231)</u>	<u>633,313</u>	<u>(1,595,918)</u>
1,547,958	-	1,547,958
340,811	-	340,811
105,828	26,255	132,083
32,111	-	32,111
1,183	-	1,183
<u>2,027,891</u>	<u>26,255</u>	<u>2,054,146</u>
(201,340)	659,568	458,228
<u>2,275,648</u>	<u>2,103,264</u>	<u>4,378,912</u>
\$ <u><u>2,074,308</u></u>	\$ <u><u>2,762,832</u></u>	\$ <u><u>4,837,140</u></u>

VILLAGE OF WOLVERINE LAKE

Balance Sheet
Governmental Funds
June 30, 2007

	<u>General</u>	<u>Major Streets</u>	<u>Local Streets</u>	<u>Other Governmental Funds Drug Forfeiture</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>					
Cash and Cash Equivalents	\$ 693,805	\$ 731,331	\$ 34,308	\$ 11,545	\$ 1,470,989
Receivables (net of allowance for uncollectibles)	2,600	2,902	289	-	5,791
Special Assessment Receivable	4,909	-	-	-	4,909
Due from State	60,836	27,193	13,170	-	101,199
Due from Other Funds	48,517	-	109,000	-	157,517
Prepaid Expenditures	11,574	-	-	-	11,574
Total Assets	\$ <u>822,241</u>	\$ <u>761,426</u>	\$ <u>156,767</u>	\$ <u>11,545</u>	\$ <u>1,751,979</u>
<u>LIABILITIES AND FUND BALANCE</u>					
Liabilities:					
Accounts Payable	\$ 54,847	\$ 66,646	\$ 115,069	\$ -	\$ 236,562
Accrued and Other Liabilities	86,771	-	-	-	86,771
Due to Other Funds	-	114,736	33,259	-	147,995
Deferred Revenue	68,479	-	-	-	68,479
Total Liabilities	<u>210,097</u>	<u>181,382</u>	<u>148,328</u>	<u>-</u>	<u>539,807</u>
Fund Balances:					
Unreserved, reported in:					
General Fund	612,144	-	-	-	612,144
Special Revenue Funds	-	580,044	8,439	11,545	600,028
Total Fund Balance	<u>612,144</u>	<u>580,044</u>	<u>8,439</u>	<u>11,545</u>	<u>1,212,172</u>
Total Liabilities and Fund Balance	\$ <u>822,241</u>	\$ <u>761,426</u>	\$ <u>156,767</u>	\$ <u>11,545</u>	

Amounts reported for governmental activities in the statement of net assets
are different because:

Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	864,117
Investments in Joint Ventures are not financial resources and are not reported in the funds.	46,783
Special assessment receivables are expected to be collected over several years and are not available to pay current year expenditures.	4,909
Compensated absences are included as a liability in governmental activities.	<u>(53,673)</u>
Net Assets of Governmental Activities	\$ <u>2,074,308</u>

VILLAGE OF WOLVERINE LAKE
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2007

	<u>General</u>	<u>Major Streets</u>	<u>Local Streets</u>	<u>Other Governmental Funds Drug Forfeiture</u>	<u>Total Governmental Funds</u>
<u>Revenues</u>					
Property Taxes	\$ 1,547,958	\$ -	\$ -	\$ -	\$ 1,547,958
Intergovernmental:					
Federal, State and Local	359,837	165,609	95,367	-	620,813
Licenses and Permits	52,962	-	-	-	52,962
Charges for Services	88,517	-	-	-	88,517
Fines and Forfeitures	13,744	-	-	1,522	15,266
Franchise Fees	32,111	-	-	-	32,111
Special Assessments	3,768	-	-	-	3,768
Interest Earned	78,333	24,482	2,888	125	105,828
Other	12,039	-	-	-	12,039
Total Revenues	<u>2,189,269</u>	<u>190,091</u>	<u>98,255</u>	<u>1,647</u>	<u>2,479,262</u>
<u>Expenditures</u>					
General Government	500,899	-	-	-	500,899
Public Safety	859,384	-	-	-	859,384
Public Works	557,814	236,394	343,611	-	1,137,819
Community Development	50,412	-	-	-	50,412
Recreation and Cultural	46,773	-	-	-	46,773
Capital Outlay	45,169	-	-	-	45,169
Total Expenditures	<u>2,060,451</u>	<u>236,394</u>	<u>343,611</u>	<u>-</u>	<u>2,640,456</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>128,818</u>	<u>(46,303)</u>	<u>(245,356)</u>	<u>1,647</u>	<u>(161,194)</u>
<u>Other Financing Sources (Uses)</u>					
Transfers In	-	-	219,000	-	219,000
Transfers Out	-	(219,000)	-	-	(219,000)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(219,000)</u>	<u>219,000</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	128,818	(265,303)	(26,356)	1,647	(161,194)
Fund Balance - Beginning	<u>483,326</u>	<u>845,347</u>	<u>34,795</u>	<u>9,898</u>	<u>1,373,366</u>
Fund Balance - Ending	\$ <u><u>612,144</u></u>	\$ <u><u>580,044</u></u>	\$ <u><u>8,439</u></u>	\$ <u><u>11,545</u></u>	\$ <u><u>1,212,172</u></u>

VILLAGE OF WOLVERINE LAKE
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2007

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balance - total governmental funds	\$ (161,194)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.	(35,218)
Special assessment revenues are recorded in the statement of activities when the assessment roll is set; they are not reported in the funds until collected or collectible within 60 days of year end.	(3,271)
Increases in the investment in joint venture are recorded in the statement of activities when the increased value of the investment is realized.	1,183
Increases in accumulated employee sick and vacation pay, as well as estimated general liability claims, are recorded when earned in the statement of activities.	<u>(2,840)</u>
Change in net assets in governmental activities	\$ <u><u>(201,340)</u></u>

VILLAGE OF WOLVERINE LAKE
Balance Sheet
Proprietary Fund
June 30, 2007

	<u>Enterprise Fund</u> <u>Water & Sewer</u>
<u>ASSETS</u>	
Current Assets:	
Cash and Cash Equivalents	\$ 525,317
Restricted Assets - Cash	326,328
Receivables:	
Accounts	36,995
Special Assessments	1,536,167
Due from Other Funds	-
Total Current Assets	<u>2,424,807</u>
Capital Assets	2,514,729
Less: Accumulated Depreciation	<u>(263,776)</u>
Net Capital Assets	<u>2,250,953</u>
Total Assets	<u><u>\$ 4,675,760</u></u>
<u>LIABILITIES AND EQUITY</u>	
Current Liabilities:	
Accounts Payable	\$ 132,143
Contracts Payable	-
Due to Other Funds	9,522
Current Portion of Bonds Payable	<u>155,000</u>
Total Current Liabilities	<u>296,665</u>
Long-Term Liabilities:	
Special Assessment Bonds Payable, net of unamortized discount	<u>1,616,263</u>
Total Liabilities	<u>1,912,928</u>
Equity:	
Invested in Capital Assets, Net of Related Debt	479,690
Restricted for Debt Service	1,536,167
Unrestricted	<u>746,975</u>
Total Equity	<u>2,762,832</u>
Total Liabilities and Equity	<u><u>\$ 4,675,760</u></u>

VILLAGE OF WOLVERINE LAKE
Statement of Revenues, Expenses and Changes in Fund Equity
Proprietary Fund
For the Year Ended June 30, 2007

	<u>Enterprise Fund</u> <u>Water & Sewer</u>
<u>Operating Revenues:</u>	
Water and Sewer Sales	\$ 75,465
Connection Fees	8,500
Miscellaneous	505
Total Operating Revenues	<u>84,470</u>
<u>Operating Expenses:</u>	
Personal Services	23,584
Supplies	1,379
Repairs and Maintenance	15,887
Utilities	5,784
Other Services and Supplies	13,971
Depreciation and Amortization	44,038
Total Operating Expenses	<u>104,643</u>
Operating Income (Loss)	<u>(20,173)</u>
<u>Non-Operating Revenues (Expenses):</u>	
Interest Income from Special Assessments	64,200
Interest Income from Investments	26,255
Interest Expense and Related Fees	(60,109)
Total Non-Operating Revenues (Expenses)	<u>30,346</u>
Income before Contributions	10,173
Capital Contributions - Tap Fees	<u>649,395</u>
Net Income	659,568
Fund Equity, Beginning	<u>2,103,264</u>
Fund Equity, Ending	<u><u>\$ 2,762,832</u></u>

VILLAGE OF WOLVERINE LAKE
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2007

	Enterprise Fund Water & Sewer
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Receipts from Customers and Users	\$ 348,323
Payments to Suppliers	77,360
Payments to Employees	(23,584)
Net Cash Provided by Operating Activities	<u>402,099</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>	
Capital Contributions	649,395
Principal Paid on Capital Debt	(155,000)
Interest Paid on Capital Debt	(60,109)
Issued Special Assessment Debt	405,900
Purchase of Capital Assets	(606,248)
New Special Assessments - Principal	(395,793)
Collection on Special Assessments - Principal	152,678
Collection on Special Assessments - Interest	64,200
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>55,023</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Interest Earned	<u>26,255</u>
Net Increase (Decrease) in Cash and Cash Equivalents	483,377
Cash and Cash Equivalents, Beginning	<u>368,268</u>
Cash and Cash Equivalents, Ending	<u><u>\$ 851,645</u></u>
Balance Sheet Classifications:	
Cash and Cash Equivalents	\$ 525,317
Restricted Assets - Cash	<u>326,328</u>
Total	<u><u>\$ 851,645</u></u>
<u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</u>	
Operating Income (Loss)	\$ (20,173)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Depreciation and Amortization Expense	44,038
(Increase) Decrease in Receivables	(7,756)
(Increase) Decrease in Due from Other Funds	262,087
Increase (Decrease) in Accounts Payable	127,486
Increase (Decrease) in Contracts Payable	(13,105)
Increase (Decrease) in Due to Other Funds	9,522
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 402,099</u></u>

VILLAGE OF WOLVERINE LAKE
Statement of Fiduciary Net Assets
Fiduciary Fund
June 30, 2007

	<u>Agency Fund</u>
<u>ASSETS</u>	
Cash	\$ <u>31,418</u>
 <u>LIABILITIES</u>	
Due to Other	\$ <u>31,418</u>

VILLAGE OF WOLVERINE LAKE
Notes to Financial Statements
June 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Village of Wolverine Lake, Michigan is governed by an elected seven-member council. The accompanying financial statements present the Village.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenue*.

Separate financial statements are provided for governmental funds, the proprietary fund, and fiduciary fund, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and Enterprise Fund are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available.

VILLAGE OF WOLVERINE LAKE
Notes to Financial Statements
June 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation – Continued

Revenues are considered to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue, state gas and weight tax revenue, district court fines, and interest associated with the current fiscal period. Conversely, special assessments and federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a deferred revenue liability.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Governmental Funds

The Village reports the following major governmental funds:

The General Fund is the Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Major Streets Fund is a special revenue fund used to account for the resources of state gas and weight tax revenues that are restricted for use on major streets.

The Local Streets Fund is a special revenue fund used to account for the resources of state gas and weight tax revenues that are restricted for use on local streets.

The Village reports the following major proprietary fund:

The Water and Sewer Fund accounts for the activities of the water distribution system and sewage collection system.

Additionally, the Village reports the following fund types:

Special Revenue Funds are used to account for the proceeds of earmarked revenue or financing activities requiring separate accounting because of legal or regulatory provisions.

Agency Funds are used to account for assets held by the Village in a trustee capacity. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

VILLAGE OF WOLVERINE LAKE
Notes to Financial Statements
June 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation – Continued

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Village has elected not to follow private sector standards issued after November 30, 1989, for its business-type activities.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements, and when both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as needed.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary fund relates to charges to customers for sales and services. The Water and Sewer Fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

VILLAGE OF WOLVERINE LAKE
Notes to Financial Statements
June 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

The Village's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition. State statutes authorize the Village to invest in obligations of the U.S. Treasury, commercial paper of certain investment grades, and deposits of Michigan commercial banks. Investments for the Village are recorded at fair value.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. non-current portion of interfund loans). All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

3. Restricted Assets

The Village's remaining bond proceeds are set aside for various upcoming debt service payments. These amounts have been classified as restricted.

4. Capital Assets

Capital assets, which include property, plant, equipment, vehicles and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the government-wide or business-type activities column in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Property, plant and equipment of the Village are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Roads	20
Water Meters and Equipment	10
Sewer Treatment Facilities	25-30
Buildings and Improvements	15-30
Vehicles	3-5

VILLAGE OF WOLVERINE LAKE
Notes to Financial Statements
June 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D. Assets, Liabilities and Net Assets or Equity – Continued

5. Compensated Absences

It is the Village's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

6. Long-term Obligations

In the government-wide financial statements and the proprietary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

7. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. If applicable, designations of fund balance represent tentative management plans that are subject to change.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The Village is legally subject to the budgetary control requirements of the State of Michigan P.A. 621 of 1978 (Uniform Budgeting Act). Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. The following is a summary of the requirements of this act:

VILLAGE OF WOLVERINE LAKE
Notes to Financial Statements
June 30, 2007

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – Continued

A. Budgetary Information – Continued

1. Budgets must be adopted for the General and Special Revenue Funds.
2. Budgets must be balanced.
3. Budgets must be amended as necessary.
4. Public hearings must be held prior to adoption.
5. Expenditures cannot exceed budget appropriations.
6. Expenditures must be authorized by a budget appropriation prior to being incurred.

The annual budget is prepared by the Village's management and adopted by the Village Council on an activity basis; subsequent amendments are approved by the Village Council. Expenditures in excess of amounts budgeted are in violation of Michigan law. Unexpended appropriations lapse at year end and encumbrances are not included as expenditures, but are reappropriated as part of the subsequent year budget. During the current fiscal year, the Village Council authorized budget amendments, which are reflected in the financial statements.

B. Compliance with P.A. 621 of 1978

1. Deficit Fund Balance

The Village has no deficit fund balances as of June 30, 2007.

2. Excess of Expenditures Over Appropriations in Budgetary Funds

The budget for the General Fund and Special Revenue Funds are adopted at the activity level. Expenditures in excess of budget appropriations are as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
Community and Economic Development	\$ 47,570	\$ 50,412	\$ 2,842
Major Streets Fund:			
Road Construction	114,600	180,382	65,782
Transfers Out	178,010	219,000	40,990
Local Streets Fund:			
Administration	16,360	16,624	264
Road Construction	190,200	257,642	67,442

VILLAGE OF WOLVERINE LAKE
Notes to Financial Statements
June 30, 2007

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – Continued

C. Public Act 245 of 1999 Compliance

In accordance with the State Construction Code Act, Public Act 245 of 1999, the Village must account for cumulative revenues over or under expenditures generated by the Village's building department from January 1, 2000 and forward.

The cumulative amounts as of June 30, 2007 are as follows:

Cumulative Surplus at June 30, 2006	\$ 7,122
Fees Collected in Fiscal Year 2007	52,962
Expenditures in Fiscal Year 2007	<u>(40,395)</u>
Revenues Over (Under) Expenditures	<u>12,567</u>
Cumulative Surplus at June 30, 2007	\$ <u>19,689</u>

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Under State law, the Village is permitted to invest in deposits with Michigan commercial banks, savings and loans and credit unions, obligations of the U.S. Treasury, and corporate bonds and commercial paper with certain investment grades.

The following information, as required by the Governmental Accounting Standards Board Statement number 40 is presented, regarding the Village's deposits and investments:

Custodial Credit Risk is the risk that in the event of a bank failure, the Village's deposits may not be recovered. Neither State law nor the Village's investment policy requires consideration of custodial credit risk. As of June 30, 2007, the Village's book balance of its deposits was \$2,353,352; the total book balance was \$2,354,052, due to \$700 in cash on hand. The bank balance was \$2,379,667 which was exposed to custodial credit risk, as follows:

	Bank Balance
Insured by F.D.I.C.	\$ 211,761
Uninsured and Uncollateralized	<u>2,167,906</u>
Total	\$ <u>2,379,667</u>

VILLAGE OF WOLVERINE LAKE
Notes to Financial Statements
June 30, 2007

III. DETAILED NOTES ON ALL FUNDS – Continued

A. Deposits and Investments – Continued

A reconciliation of cash as it appears on the financial statements follows:

Cash and Cash Equivalents per:	
Statement of Net Assets:	
Cash and Cash Equivalents	\$ 1,996,306
Restricted Assets-Cash	326,328
Fiduciary Fund – Statement of Assets and Liabilities	<u>31,418</u>
Total	<u>\$ 2,354,052</u>

Credit Risk. State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The Village has no investment policy that would further limit its investment choices.

Interest Rate Risk. The Village does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Village's deposits and investments consisted of the following:

<u>Deposits and Investments</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Savings and Checking Accounts	\$ 411,940	Demand
Pooled Investments (Share price=\$1)	1,289,465	Demand
Certificates of Deposit	<u>678,262</u>	30 Days
	<u>\$2,379,667</u>	

Concentration of Credit Risk. The Village's investment policy places no limit on the amount the Village may invest in any one issuer. The Village has no more than 5 percent of its investments in any one financial institution.

VILLAGE OF WOLVERINE LAKE
Notes to Financial Statements
June 30, 2007

III. DETAILED NOTES ON ALL FUNDS – Continued

B. Capital Assets

Capital asset activity for the year ended June 30, 2007 was as follows:

<u>Governmental Activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets, not depreciated:				
Land	\$ 32,684	\$ -	\$ -	\$ 32,684
Capital Assets, being depreciated:				
Infrastructure	674,996	20,680	-	695,676
Building and Improvements	613,472	-	-	613,472
Vehicles	236,155	24,489	-	260,644
Equipment	427,752	-	-	427,752
	<u>1,952,375</u>	<u>45,169</u>	<u>-</u>	<u>1,997,544</u>
Less: Accumulated Depreciation:				
Infrastructure	(6,193)	(25,973)	-	(32,166)
Building and Improvements	(532,534)	(19,930)	-	(552,464)
Vehicles	(156,459)	(25,440)	-	(181,899)
Equipment	(390,538)	(9,044)	-	(399,582)
	<u>(1,085,724)</u>	<u>(80,387)</u>	<u>-</u>	<u>(1,166,111)</u>
Governmental Activities Capital Assets, net	\$ <u>899,335</u>	\$ <u>(35,218)</u>	\$ <u>-</u>	\$ <u>864,117</u>

Depreciation expense was charged on the Statement of Activities as follows:

General Government	\$ 46,119
Public Safety	16,210
Public Works	17,720
Recreation and Cultural	338
	<u>\$ 80,387</u>

VILLAGE OF WOLVERINE LAKE
Notes to Financial Statements
June 30, 2007

III. DETAILED NOTES ON ALL FUNDS – Continued

B. Capital Assets – Continued

<u>Business-type Activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets, not depreciated:				
Construction in Progress	\$ 789,704	\$ 606,248	\$ 1,184,798	\$ 211,154
Capital Assets, being depreciated:				
Sewer Treatment Facilities	1,030,275	1,184,798	-	2,215,073
Building and Improvements	35,355	-	-	35,355
Water Meters and Equipment	43,950	-	-	43,950
Vehicles	9,197	-	-	9,197
	<u>1,118,777</u>	<u>1,184,798</u>	<u>-</u>	<u>2,303,575</u>
Less: Accumulated Depreciation:				
Sewer Treatment Facilities	(149,390)	(41,211)	-	(190,601)
Building and Improvements	(18,849)	(1,179)	-	(20,028)
Water Meters and Equipment	(43,950)	-	-	(43,950)
Vehicles	(9,197)	-	-	(9,197)
	<u>(221,386)</u>	<u>(42,390)</u>	<u>-</u>	<u>(263,776)</u>
Business-type Activities				
Capital Assets, net	\$ <u>1,687,095</u>	\$ <u>1,748,656</u>	\$ <u>1,184,798</u>	\$ <u>2,250,953</u>

C. Interfund Receivables, Payables and Transfers

1. Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2007, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Major Streets Fund	\$ 5,736
General Fund	Local Streets Fund	33,259
General Fund	Water & Sewer Fund	9,522
Local Streets Fund	Major Streets Fund	<u>109,000</u>
		\$ <u>157,517</u>

These balances result from timing differences between transactions being recorded in the general ledger and payments between funds not yet made.

VILLAGE OF WOLVERINE LAKE
Notes to Financial Statements
June 30, 2007

III. DETAILED NOTES ON ALL FUNDS – Continued

C. Interfund Receivables, Payables and Transfers – Continued

2. Interfund Transfer

<u>Transfers Out:</u>	<u>Transfers In:</u>	<u>Total</u>
Major Streets Fund	Local Streets Fund	\$219,000

Transfer from the Major Streets Fund to the Local Streets Fund represents a transfer approved by Village Council to fund current year local street projects.

D. Long-Term Debt

The following is a summary of long-term debt transactions of the Village for the year ended June 30, 2007:

	<u>Interest Rates</u>	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2007</u>	<u>Due Within One Year</u>
Governmental Activities:						
Compensated Absences		\$ 50,833	\$ 2,840	\$ -	\$ 53,673	\$ 9,973
Business-type Activities:						
General Obligation Bonds:						
Special Assessment, Series 2007A						
Issue Amount: \$410,000						
Maturing through 2017	3.75-4.00%	\$ -	\$ 410,000	\$ -	\$ 410,000	\$ -
Special Assessment, Series 2005A						
Issue Amount: \$335,000						
Maturing through 2015	3.30-3.75%	335,000	-	35,000	300,000	35,000
Special Assessment, Series 2004B						
Issue Amount: \$305,000						
Maturing through 2015	3.125-4.25%	305,000	-	30,000	275,000	30,000
Special Assessment, Series 2004A						
Issue Amount: \$160,000						
Maturing through 2014	2.85-4.20%	145,000	-	15,000	130,000	15,000
Special Assessment, Series 2001						
Issue Amount: \$1,055,000						
Maturing through 2015	4.00-4.80%	750,000	-	75,000	675,000	75,000
Total General Obligation Bonds		1,535,000	410,000	155,000	1,790,000	155,000
Less: Unamortized Discount		(16,285)	(4,100)	1,648	(18,737)	-
Total Business-type Activities		\$ 1,518,715	\$ 405,900	\$ 156,648	\$ 1,771,263	\$ 155,000

VILLAGE OF WOLVERINE LAKE
Notes to Financial Statements
June 30, 2007

III. DETAILED NOTES ON ALL FUNDS – Continued

D. Long-Term Debt – Continued

The annual debt service requirements to maturity for general obligation bonds outstanding as of June 30, 2007 are as follows:

<u>Year Ended</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2008	\$ 155,000	\$ 73,039
2009	210,000	64,690
2010	210,000	56,800
2011	210,000	48,706
2012	215,000	40,435
2013-2017	790,000	75,437
	<u>\$ 1,790,000</u>	<u>\$ 359,107</u>

E. Fund Balance

A detailed description of fund balance reservations and designations (for all governmental fund types) at June 30, 2007, is presented below:

	<u>General Fund</u>	<u>Special Revenue</u>
Unreserved:		
Designated for Subsequent Year's Expenditures	\$ -	\$ 105,625
Undesignated	<u>612,144</u>	<u>494,403</u>
Total Fund Balance	<u>\$ 612,144</u>	<u>\$ 600,028</u>

F. Property Taxes

Property taxes are assessed as of each December 31. The Village tax levy is billed on July 1 of the following year. Taxes are considered delinquent on March 1 of the following year, at which time the applicable property is subject to lien and penalty and interest is assessed. The maximum authorized operating levy for the Village is 20 mills. The Village's tax levy for the 2006 tax roll is 9.5730 mills for general operating purposes.

VILLAGE OF WOLVERINE LAKE
Notes to Financial Statements
June 30, 2007

IV. OTHER INFORMATION

A. Employee Retirement Systems and Plans

1. Municipal Employees Retirement System Defined Benefit Plan

a. Plan Description

The Village contributes to the Michigan Municipal Employees' Retirement System (MMERS), which is an agent multiple employer retirement system that covers all union employees of the Village. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by a certain percentage based on the benefit program in effect as of the date of termination of membership times the final average compensation (FAC). The most recent period for which actuarial data was available was for the actuarial valuation as of December 31, 2006.

MERS was organized pursuant to Section 12a of Act #156, Public Acts of the State of Michigan (MSA 5.333(a); MCLA 46.12(a)). MERS is regulated under Act No. 427 of the Public Acts of 1984, sections of which have been approved by the State Pension Council. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917.

b. Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the Village Council and the Village's collective bargaining units, which requires employees to contribute to the plan at a rate of 6.52% for Department of Public Works employees and at a rate of 11.19% for Police Department employees, based on the December 31, 2004 valuation. The Village is required to contribute at a maximum rate of 10 percent for both groups.

c. Annual Pension Cost

During the fiscal year ended June 30, 2007, the Village's contributions totaling \$54,519 were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2004.

The employer contribution rate has been determined based on the entry age normal cost funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize

VILLAGE OF WOLVERINE LAKE
Notes to Financial Statements
June 30, 2007

IV. OTHER INFORMATION – Continued

A. Employee Retirement Systems and Plans – Continued

1. Municipal Employees Retirement System Defined Benefit Plan – Continued

c. Annual Pension Cost – Continued

the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. The employer's contribution is 10 percent of annual compensation of the participants, and the difference between the contribution rate and the employers contribution is made by the employee. Significant actuarial assumptions used include a long-term investment yield rate of 8% and annual salary increases of 4.5% based on an age-related scale to reflect merit, longevity, and promotional salary increases.

<u>Three Year Trend Information</u>				
<u>Fiscal Year</u> <u>Ended</u> <u>June 30,</u>	<u>Valuation</u> <u>Date</u> <u>Dec. 31</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
2005	2002	\$59,854	100%	\$-0-
2006	2003	61,767	100%	-0-
2007	2004	54,519	100%	-0-

The information presented above was determined as part of the actuarial valuations at the dates indicated.

B. Defined Contribution Pension Plan

The Village provides pension benefits to all nonunion full-time employees through a defined contribution plan, the Village of Wolverine Lake Pension Plan, administered by Transamerica Asset Management. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment gain and losses. Employees are eligible to participate one year after the date of employment. The Village contributes 10 percent of annual compensation of the participants, which becomes vested 20 percent after three years, increasing 20 percent per year until fully vested after seven years. Contributions are made on a monthly basis. The plan provisions were established and may be amended by the Village Council. The Village's contribution to the plan was \$35,683 for fiscal year ended June 30, 2007.

VILLAGE OF WOLVERINE LAKE
Notes to Financial Statements
June 30, 2007

IV. OTHER INFORMATION – Continued

C. Post Retirement Health Care Benefits

The Village provides health care insurance coverage to all eligible full-time employees who retire from the Village, in accordance with labor contracts and Village policy as follows:

For administrative, patrol, and dispatch retirees, under normal retirement, who have attained the age of 55 with 20 years of service, the Village will pay for the employee's and spouse's health insurance for a maximum of 10 years to age 65 with a maximum cost to the Village of \$3,000 per year. After the retiree attains 65 years of age, the Village will pay the insurance carrier a maximum of \$2,000 per year, per couple for the lives of the retiree and spouse. The retired employee pays the difference in cost.

For command officers, under normal retirement, who have attained the age of 55 with 20 years of service, the Village will pay for the employee's and spouse's health insurance for a maximum of 10 years with a maximum cost to the Village of \$2,000 per year. The retired employee pays the difference in cost.

For DPW retirees, under normal retirement, who have attained the age of 55 with 25 years of service, the Village will pay for the employee's and spouse's health insurance for a maximum of 10 years to age 65 with a maximum cost to the Village of \$3,000 per year. After the retiree attains 65 years of age, the Village will pay the insurance carrier a maximum of \$2,000 per year, per couple for the lives of the retiree and spouse. The retired DPW employee pays the difference in cost.

As of June 30, 2007, the Village had one employee obtaining benefits under this plan. Total cost to the Village for the year was \$2,000. The benefit will be funded on a pay-as-you-go basis.

D. Risk Management

The Village is a member of the Michigan Municipal League Liability & Property Pool for its general liability coverage and a member of the Michigan Municipal Workers Compensation Fund for its workers compensation coverage. The Village pays annual premiums to the pools. The pools are self-sustaining through member premiums, and each carries reinsurance through commercial companies for claims in excess of the pool loss reserve fund.

In the event that a single loss should exceed the amount of protection afforded by the pool loss reserve fund, reinsurance, or other insurance carried by the pools, or in the event that a series of losses should deplete or exhaust the loss reserve fund and reinsurance, the payment of valid losses shall be the obligation of the individual member or members of the respective pool against whom the claim was made.

No such event has occurred with the Village and the pools to which it belongs in any of the past three fiscal years.

VILLAGE OF WOLVERINE LAKE
Notes to Financial Statements
June 30, 2007

IV. OTHER INFORMATION – Continued

E. Joint Venture

The Village is a member of the Western Oakland County Cable Commission Authority (the "Cable Authority"), which provides cables services to the residents of the villages of Wolverine Lake and Milford, the townships of Commerce, Highland, Lyon, Milford, and White Lake, and the cities of Walled Lake and Wixom. The Cable Authority receives a management fee from the cable television company and currently receives a portion of the Village's franchise fees. The Village is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. The investment in the Cable Authority of \$46,783 is recorded in the statement of net assets.

F. Upcoming Reporting Change

The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pension). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year beginning July 1, 2009.

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF WOLVERINE LAKE
Required Supplementary Information – (Unaudited)
Defined Benefit Pension Plans – Trend Information
For the Year Ended June 30, 2007

Municipal Employees Retirement System
Schedule of Funding Progress

<u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>Actuarial</u> <u>Value of</u> <u>Assets</u>	<u>Actuarial</u> <u>Accrued</u> <u>Liability (AAL)</u>	<u>Unfunded</u> <u>AAL</u> <u>(UAAL)</u>	<u>Funded</u> <u>Ratio</u>	<u>Covered</u> <u>Payroll</u>	<u>UAAL as a</u> <u>Percent of</u> <u>Covered Payroll</u>
12/31/02	\$486,077	\$1,227,137	\$741,060	40%	\$557,848	133%
12/31/03	586,169	1,292,035	705,866	45	553,383	128
12/31/04	665,722	1,508,440	842,718	44	579,850	145
12/31/05	741,045	1,622,429	881,384	46	609,423	145
12/31/06	995,394	1,897,635	902,241	52	571,447	158

Additional information as of December 31, 2006, the latest actual valuation, follows:

Actuarial cost method	Entry age normal cost
Amortization method	Level percent
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return	8%
Projected salary increases	4.50% - 12.90%
Includes inflation at 4.5%	
Cost of living adjustments	None

VILLAGE OF WOLVERINE LAKE
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2007

	<u>Budgeted Amounts</u>			<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
<u>Revenues:</u>				
Property Taxes	\$ 1,545,207	\$ 1,545,207	\$ 1,547,958	\$ 2,751
Special Assessments	3,615	3,615	3,768	153
Licenses and Permits	58,000	58,000	52,962	(5,038)
Intergovernmental:				
Federal/CDBG	9,300	9,300	17,180	7,880
Federal Grants	-	61,000	-	(61,000)
State Shared Revenue	358,000	346,000	340,811	(5,189)
State Grants	1,500	1,500	1,617	117
County	1,000	1,000	229	(771)
Charges for Services	107,500	107,500	88,517	(18,983)
Fines and Forfeitures	21,300	21,300	13,744	(7,556)
Franchise Fees	29,000	29,000	32,111	3,111
Interest Earnings	30,000	70,000	78,333	8,333
Other Revenues	107,000	107,000	12,039	(94,961)
Total Revenues	<u>2,271,422</u>	<u>2,360,422</u>	<u>2,189,269</u>	<u>(171,153)</u>
<u>Expenditures:</u>				
General Government:				
Village Council	3,430	2,630	2,307	323
Village Administrator	120,400	118,400	109,306	9,094
Elections	1,300	50	37	13
Financial Services	13,000	8,500	8,500	-
Legal Fees	25,500	25,500	14,494	11,006
Clerk	83,500	82,500	76,583	5,917
Treasurer	75,500	69,600	66,950	2,650
Village Complex	44,600	45,100	35,707	9,393
General Services	190,825	198,075	187,015	11,060
Disaster Contingency	6,000	-	-	-
Total General Government	<u>564,055</u>	<u>550,355</u>	<u>500,899</u>	<u>49,456</u>
Public Safety:				
Chief of Police	105,410	110,410	108,949	1,461
Police Department	769,400	763,500	710,040	53,460
Building Department	63,200	63,200	40,395	22,805
Total Public Safety	<u>938,010</u>	<u>937,110</u>	<u>859,384</u>	<u>77,726</u>
Public Works:				
Department of Public Works	271,780	247,780	188,298	59,482
Lake Improvement	110,330	111,930	83,764	28,166
Engineering	30,700	28,700	3,665	25,035
Rubbish/Leaf Collection	270,500	270,500	271,216	(716)
Sewer/Septic/Water Study	2,200	3,750	3,022	728
Water Management Board	9,600	9,600	7,849	1,751
Total Public Works	<u>695,110</u>	<u>672,260</u>	<u>557,814</u>	<u>114,446</u>
Community and Economic Development:				
Planning Commission	12,410	12,410	6,053	6,357
Zoning Board	4,010	4,010	2,331	1,679
Community Services	23,350	21,850	26,199	(4,349)
Community Development Block Grant	9,300	9,300	15,829	(6,529)
Total Community and Economic Development	<u>49,070</u>	<u>47,570</u>	<u>50,412</u>	<u>(2,842)</u>

(Continued)

VILLAGE OF WOLVERINE LAKE
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2007

(Continued)	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Recreation and Cultural:				
Parks and Recreation Department	\$ 57,200	\$ 57,800	\$ 43,116	\$ 14,684
Parks and Recreation Projects	12,100	6,100	3,657	2,443
Beautification	1,555	955	-	955
Total Recreation and Cultural	<u>70,855</u>	<u>64,855</u>	<u>46,773</u>	<u>18,082</u>
Capital Outlay	<u>154,000</u>	<u>186,000</u>	<u>45,169</u>	<u>140,831</u>
Total Expenditures	<u>2,471,100</u>	<u>2,458,150</u>	<u>2,060,451</u>	<u>397,699</u>
Excess (Deficiency) of Revenues Over Expenditures	(199,678)	(97,728)	128,818	226,546
Fund Balance - July 1	<u>483,326</u>	<u>483,326</u>	<u>483,326</u>	<u>-</u>
Fund Balance - June 30	<u>\$ 283,648</u>	<u>\$ 385,598</u>	<u>\$ 612,144</u>	<u>\$ 226,546</u>

VILLAGE OF WOLVERINE LAKE
Major Streets Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2007

	<u>Budgeted Amounts</u>			<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
<u>Revenues:</u>				
Intergovernmental-State	\$ 165,000	\$ 165,000	\$ 165,609	\$ 609
Interest Income	10,000	10,000	24,482	14,482
Total Revenues	<u>175,000</u>	<u>175,000</u>	<u>190,091</u>	<u>15,091</u>
<u>Expenditures:</u>				
Administration	12,240	10,840	9,036	1,804
Road Construction	85,100	114,600	180,382	(65,782)
Routine Maintenance:				
Road Maintenance	31,800	39,900	33,378	6,522
Drainage	6,000	6,000	1,029	4,971
Traffic Signs	2,000	2,300	1,403	897
Winter Maintenance	15,000	15,000	11,166	3,834
Total Expenditures	<u>152,140</u>	<u>188,640</u>	<u>236,394</u>	<u>(47,754)</u>
Excess (Deficiency) of Revenues Over Expenditures	22,860	(13,640)	(46,303)	(32,663)
<u>Other Financing Uses:</u>				
Transfers Out	<u>(195,710)</u>	<u>(178,010)</u>	<u>(219,000)</u>	<u>(40,990)</u>
Net Change in Fund Balance	(172,850)	(191,650)	(265,303)	(73,653)
Fund Balance, July 1	<u>845,347</u>	<u>845,347</u>	<u>845,347</u>	<u>-</u>
Fund Balance, June 30	\$ <u>672,497</u>	\$ <u>653,697</u>	\$ <u>580,044</u>	\$ <u>(73,653)</u>

VILLAGE OF WOLVERINE LAKE
Local Streets Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2007

	<u>Budgeted Amounts</u>			<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
<u>Revenues:</u>				
Intergovernmental-State/Act 51	\$ 80,000	\$ 80,000	\$ 80,204	\$ 204
Intergovernmental-State/Metro Act	-	12,000	11,286	(714)
Intergovernmental-Local	4,000	4,000	3,877	(123)
Interest Income	5,000	5,000	2,888	(2,112)
Total Revenues	<u>89,000</u>	<u>101,000</u>	<u>98,255</u>	<u>(2,745)</u>
<u>Expenditures:</u>				
Administration	15,360	16,360	16,624	(264)
Road Construction	203,200	190,200	257,642	(67,442)
Routine Maintenance:				
Road Maintenance	31,400	44,100	44,162	(62)
Drainage	5,500	6,500	5,387	1,113
Bridge Repair	600	600	-	600
Traffic Signs	1,250	1,350	680	670
Winter Maintenance	27,400	27,400	19,116	8,284
Total Expenditures	<u>284,710</u>	<u>286,510</u>	<u>343,611</u>	<u>(57,101)</u>
Excess (Deficiency) of Revenues Over Expenditures	(195,710)	(185,510)	(245,356)	(59,846)
<u>Other Financing Sources:</u>				
Transfers In	<u>195,710</u>	<u>185,510</u>	<u>219,000</u>	<u>33,490</u>
Net Change in Fund Balance	-	-	(26,356)	(26,356)
Fund Balance, July 1	<u>34,795</u>	<u>34,795</u>	<u>34,795</u>	<u>-</u>
Fund Balance, June 30	\$ <u>34,795</u>	\$ <u>34,795</u>	\$ <u>8,439</u>	\$ <u>(26,356)</u>